

CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT 911

FINANCIAL STATEMENTS

WITH

AUDITOR'S REPORT

June 30, 2009

Kenneth R. Kelly, Jr., MAcc., CPA
527 Elk Avenue, Suite 4
Elizabethton, Tennessee 37643

CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT 911
June 30, 2009

C O N T E N T S

Page Number

SECTION I - FINANCIAL SECTION

Independent Auditor's Report	1
Management's Discussion and Analysis	2a-b
Management and Officials	2c
Financial Statements:	
Balance Sheet	3
Statement of Revenue, Expenses and Changes in Net Assets	4
Statement of Cash Flows	5 - 6
Notes to Financial Statements	7 - 13
Supporting Schedules	14 -16

SECTION II - INTERNAL CONTROL AND COMPLIANCE SECTION

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Governmental Auditing Standards</u>	17 -18
--	--------

SECTION I - FINANCIAL SECTION

Kenneth R. Kelly, Jr., MAcc., CPA
527 Elk Avenue, Suite 4
Elizabethton, TN 37643

Independent Auditor's Report

Glenna Morton, Director
Carter County Emergency Communications District 911
Elizabethton, TN

I have audited the accompanying statement of net assets of the Carter County Emergency Communications District 911, a component unit of Carter County, Tennessee, as of June 30, 2009, and the related statements of revenues, expenses, and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the management of the Carter County Emergency Communications District 911. My responsibility is to express an opinion on these financial statements based on the audit.

I conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that the audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Carter County Emergency Communications District 911, as of June 30, 2009, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued a report dated February 12, 2010 on my consideration of Carter County Emergency Communications District 911's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of the testing of internal control over financial reporting and on compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of the audit.

Management's Discussion and Analysis is not a required part of the basic financial statement but is supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

The audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Elizabethton, Tennessee
February 12, 2010


Certified Public Accountant

Member of the AICPA

(423) 542-5555 * (423) 542-9339 * (423) 677-5355

Member of the TSCPA

Carter County Emergency Communications District Management's Discussion and Analysis

As financial management of the Carter County Emergency Communications District (the "District"), a component unit of Carter County, Tennessee, we offer readers of these financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2009. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

FINANCIAL HIGHLIGHTS

Telephone Surcharge increases for the year 2008/2009 were nominal and can be attributed to rate adjustments and overall communication levels.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the district's financial statements, which is comprised of the basic financial statements and the notes to the financial statements. The District is a separate government entity, which was established by both the City of Elizabethton and the Carter County Commission as the single communications center for both Carter County and the City of Elizabethton. The District's basic financial statement includes Operating and Non Operating revenue. The Operating revenue is the 911 surcharge collected by the District's telco, Embarq and a few third party companies referred as CLEC. The District also received revenue from alarm vendors for monitoring services; monies from other agencies for services provided and interest from financial institutions. The Non-operating revenue is monies appropriated by the City of Elizabethton and Carter County for dispatching services. This report also contains other supplementary information concerning the District's budget to actual comparison and certain non-financial information required by the Tennessee Communications Board.

Basic financial statements: The basic financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

Condensed Statement of Net Assets

	<u>FY 2009</u>	<u>FY 2008</u>	<u>CHANGE</u>	<u>PERCENT CHANGE</u>
Total current and other assets	574,669	544,499	30,170	6
Total noncurrent assets	<u>330,391</u>	<u>338,164</u>	<u>(7,773)</u>	(2%)
Total assets	905,061	882,663	22,938	3%
Total current liabilities	16,724	21,017	(4,293)	(20%)
Total noncurrent liabilities	<u>15,121</u>	<u>8,026</u>	<u>7,095</u>	88%
Total liabilities	31,845	29,043	2,802	10%
Invested in capital assets	330,391	336,599	(6,208)	(2%)
Unrestricted	<u>542,824</u>	<u>517,021</u>	<u>25,803</u>	5%
Total net assets	873,215	853,620	19,595	2%

Condensed Statement of Revenues, Expenses, and Changes in Net Assets

	<u>FY 2009</u>	<u>FY 2008</u>	<u>CHANGE</u>	<u>PERCENT CHANGE</u>
Operating revenues	725,039	765,508	(40,469)	(5%)
Non-operating revenue	<u>168,041</u>	<u>183,030</u>	<u>(14,989)</u>	(8%)
Total revenues	893,080	948,538	(55,458)	(6%)
Depreciation and Amortization	61,486	52,387	9,099	17%
Other operating expense	<u>811,999</u>	<u>746,657</u>	<u>65,342</u>	9%
Total expenses	873,485	799,044	74,441	9%
Changes in net assets – operating activities	<u>19,595</u>	<u>149,494</u>	<u>(129,899)</u>	(87%)
Total changes in net assets	19,595	149,494	(240,312)	(87%)
Beginning net assets	853,620	704,126	389,806	21%
Ending net assets	873,215	853,620	149,494	2%

The Statement of Net Assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Net assets increase when revenue exceeds expenses. Increases to assets without a corresponding increase to liabilities, results in increased net assets, which indicates an improved financial position.

The statement of revenues, expenses, and changes in net assets presents information showing how the District's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event occurs, regardless of timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Notes to the financial statements: The notes provide additional information that is essential to full understanding of the data provided in the basic financial statements.

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information concerning the District's budget to actual comparison and certain non-financial information required by the Tennessee Emergency Communications Board.

FINANCIAL ANALYSIS

Net assets may serve, over time, as a useful indicator of an entity's financial position. In the case of the District, assets exceeded liabilities by \$873,215.20 at the close of June 30, 2009.

Any net assets are to be used in purchasing capital assets over the next few years. The plan includes an upgrade of the 911 service. It will be necessary to upgrade computer hardware, software, and database provisioning. The plan must attempt to accommodate wireless phone/location technology, which is still underdevelopment and the capital and operating costs that are as yet not known.

SIGINIFICANT EVENTS

During the year ended June 30, 2009, the District purchased a upgrades to the communications including software and wiring enhancements.

CASH FLOW

Net cash provided by operating activities decreased \$101,661.99 due primarily to increasing operating expenses and in large part payroll demands.

BUDGETING HIGHLIGHTS

The 2008/09 budget was approved in September 2008. The budget is presented as separate columns in the required supplementary information. Line item transfers were made to adjust for decreases in costs attributed to primary service providers and accommodate for fluctuations in overtime and part-time payroll.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: The District's investment in capital assets amounts to \$314,791.21 net of accumulated depreciation as of June 30, 2009.

CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT 911
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

Management

Glenna Morton	Acting Director
---------------	-----------------

Board Members

John Pierce	Chairman
Kelly Geagley	Secretary/Treasurer
Bill Carter	Member
Terry Arnold	Member
Chris Mathes	Member
Matt Bailey	Member
Johnny Holder	Member
Scott Whaley	Member
Barry Carrier	Member
Earnest Jackson	Member

CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT 911
STATEMENT OF NET ASSETS
June 30, 2009

ASSETS

Current Assets:

Cash and Cash Equivalents	486,987.11	
Surcharge Receivable	87,682.31	
Total Current Assets		574,669.42

Non-Current Assets:

Capital Assets:

Leasehold Improvements	61,739.00	
Office Furniture and Fixtures	17,421.91	
Office Equipment	23,180.37	
Communications Equipment	688,679.60	
Vehicles	20,640.85	
Other Fixed Asset	16,924.64	
	828,586.37	
Less: Accumulated Depreciation	513,795.16	

Total Capital Assets		314,791.21
----------------------	--	------------

Computer Software	24,562.00	
Addressing/Mapping Contract	97,547.41	
	122,109.41	
Less Accumulated Amortization	106,509.41	15,600.00

Total Non - Current Assets		330,391.21
----------------------------	--	------------

Total Assets		905,060.63
--------------	--	------------

LIABILITIES

Current Liabilities:

Accounts Payable	3,805.63	
Accrued Expenses	460.86	
Accrued Compensated Absences - Current Portion	12,457.64	
Total Current Liabilities		16,724.13

Non-Current Liabilities:

Accrued Compensated Absences - Long-Term Portion	15,121.30	
Total Non-Current Liabilities		15,121.30

Total Liabilities		31,845.43
-------------------	--	-----------

NET ASSETS

Invested in Capital Assets	330,391.21	
Unrestricted	542,823.99	
Total Net Assets		873,215.20

The Accompanying notes are an integral part of these financial statements.

CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT 911
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2009

OPERATING REVENUE

Surcharge Revenue	479,151.51	
Tennessee Emergency Communications Board - Shared Wireless Surcharge	139,733.62	
	<u>139,733.62</u>	
Total Operating Revenue		618,885.13

OPERATING EXPENSES

Salaries, Wages, and Payroll Taxes	464,846.09	
Employee Benefits	146,009.24	
Administrative Fees- Service Charge	17,311.98	
Professional Services	5,195.50	
Emergency Lines & Telephones	88,012.99	
Information Services (NCIC/TBI/TIES)	11,799.87	
Occupancy Expenses - Donated	10,045.00	
Building Maintenance	1,493.88	
Communications Equipment Maintenance and Repair	8,022.95	
Office Equipment Maintenance and Repair	380.00	
Vehicle Maintenance and Repair	3,326.48	
Office Supplies	2,238.33	
Other Administrative Expenses	6,425.10	
Utilities	12,958.48	
Insurance	10,652.00	
Training Expenses	17,685.29	
Travel Expenses	5,595.98	
Depreciation and Amortization	61,486.27	
	<u>61,486.27</u>	
Total Operating Expenses		<u>873,485.43</u>
Operating Income (Loss)		(254,600.30)

NON-OPERATING REVENUES (EXPENSES)

Interest Income	1,015.01	
Interest Expense	(33.42)	
Donated Use of Space - Carter County	10,045.00	
Tennessee Emergency Communications Board - GIS Maintenance Grant	100,034.00	
Rent Income	3,600.00	
Alarm Monitoring	2,520.00	
Appropriations from City of Elizabethton	83,172.25	
Appropriations from Carter County	76,712.50	
Loss on retirement of assets	(2,870.16)	
	<u>(2,870.16)</u>	
Total Non-Operating Revenues (Expenses)		<u>274,195.18</u>

Change in Net Assets		19,594.88
Net Assets, July 1		<u>853,620.32</u>
Net Assets, July 30		<u><u>873,215.20</u></u>

continued

CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT 911
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2009

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

CASH FLOWS FROM OPERATIONS:

Receipts from Surcharges	608,283.32	
Receipts from State Maintenance Grants	100,034.00	
Customer Receipts - Alarm Monitoring	2,520.00	
Rent Receipts	3,900.00	
Payments to Employees	(463,084.73)	
Payments to Service Providers	(321,338.39)	
Payments to Suppliers	(12,563.20)	
	(12,563.20)	
Net Cash Provided by (Used In) Operating Activities		(82,249.00)

CASH FLOW FROM NONCAPITAL AND RELATED FINANCING

Operating Grants Received -		
City of Elizabethton, Tennessee	83,172.25	
Carter County, Tennessee	76,712.50	
	76,712.50	
Net Cash Provided from Noncapital Financing Activities		159,884.75

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Addition of Property and Equipment	(57,183.83)	
Principal Paid on Lease Obligations	(1,530.96)	
Interest Paid on Lease Obligations	(33.42)	
	(33.42)	
Net Cash Used by Capital and Related Financing Activities		(58,748.21)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest Income	1,015.01	
	1,015.01	
Net Cash Provided from Investing Activities		1,015.01
Net Decrease in Cash and Cash Equivalents		19,902.55
Cash and Cash Equivalents at Beginning of Year		467,085.46
Cash and Cash Equivalents at End of Year		486,988.01

CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT 911
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES

Net Income (Loss) from Operations		(254,600.30)
Adjustments to Reconcile Net Income to		
Net Cash Provided by Operating Activities:		
Depreciation	57,586.27	
Amortization	3,900.00	
Donated Occupancy - Rent	10,045.00	
Changes in Operating Assets and Liabilities:		
Increase of Decrease:		
Receivables	(9,968.39)	
Accounts Payable and Accrued Expenses	652.31	
Accrued Compensated Absences	<u>4,014.63</u>	
 Total Adjustments		 <u>66,229.82</u>
 Net Cash Provided by Operating Activities		 <u><u>(188,370.48)</u></u>

CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT 911

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Carter County Emergency Communications District 911 (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards (FASB) pronouncements and Accounting Principles Board (APB) opinion, issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. GASB Statement No. 20 provides governments with the option of applying all Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989, to its proprietary funds, unless they conflict with or Contradict GASB pronouncements. The Carter County Emergency Communications District 911 has elected not to implement FASB statements and interpretations issued thereafter, unless they are adopted by GASB. The more significant accounting policies of the District are described as follows.

The District is a component unit of Carter County, Tennessee. These financial statements are limited to the District and not Carter County, Tennessee as a whole.

1. Nature of Activities

The Carter County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for residents of Carter County. The District is funded primarily through service charges levied on land line based and cellular telephone service. The District operates under the legislative declaration and intent of the “Emergency Communications District Law” which was authorized by Tennessee Code Section 7-86-102.

Carter County Emergency Communications District is a component unit of Carter County. The governing body of the Carter County Emergency Communications District is appointed by the Carter County Board of Commissioners. Before the issuance of most debt instruments, the District must obtain the approval of the County Commissioners.

2. Basis of Accounting

All activities of the District are accounted for within a single proprietary fund. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the District are surcharges applied to tele-communications and charges for alarm monitoring. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The District’s transactions are accounted for on a flow of economic resources measurement focus. Based on this measurement focus, all assets and all liabilities associated with the operations are included on the balance sheet. Net assets are segregated into “invested in capital assets, net of related liabilities” and “unrestricted” components.

CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT 911
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued:

3. Deposits

A. Definition of Cash

For the purposes of the Statement of Cash Flows, the District considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents regardless of restrictions. Commercial bank certificates of deposits with initial maturities exceeding three months are not considered cash equivalents.

B. Cash Deposits with Financial Institutions:

Cash on the balance sheet includes two demand deposits in one local bank.

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Total Deposits, June 30, 2009	<u>486,987.11</u>	<u>512,442.76</u>

All bank balances were covered throughout the year by federal depository insurance or the State of Tennessee Bank Collateral Pool. State statute requires all deposits with financial institutions to be insured or collateralized in an amount no less than 105% of the market value.

At year-end, there were no investments. Established policies require the District to follow the investment policies utilized by Carter County, TN.

4. Surcharges Receivable

The Carter County Emergency Communications District 911 was due surcharge revenue of \$37,792.00 from Embarq and Wireless Surcharge Revenue of \$49,890.13 from the State of Tennessee Communication Board. This represents surcharges billed as of the month of June 2009. The total was received and deposited during the following fiscal year.

5. Accrued Expenses

Accrued expenses for Carter County Emergency Communications District 911 consisted of payables for employee benefits/payroll taxes.

Carter County Emergency Communications District 911 has the following policy concerning accrued leave and vacation. Sick leave is accumulated at a rate of eight hours per month to be used after completion of the six months probation period. There is not a limit on the amount of accumulated sick leave. Accumulated sick leave can be credited toward service time for retirement, but is not paid should an employee leave before retirement. Vacation pay is accrued and payable at a rate of ten hours per month after an employee has completed six months. Accrued vacation is paid when an employee leaves before retirement. Total accrued leave equals \$27,578.94 at June 30, 2009.

6. Donated Use of Space

Use of facilities is provided by Carter County at a cost of \$1.00 per year. Fair market value of the donated space and related occupancy expenses are reflected in the financial statements based on the estimated rental value per square foot of \$2.01 multiplied by 4,997 total square feet occupied. The annual rental equivalent is estimated at \$10,045.00

CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT 911

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued:

7. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

8. Rental Income

An agreement made between the Carter County Emergency Communications District 911 and the Carter County Red Cross stipulates that a portion of the building could be used by the Red Cross at a rate of \$300.00 per month. The monies assist in offsetting utility expenses and at times are complimentary to the mission of the District.

NOTE 2 – FIXED ASSETS:

Fixed assets are stated at cost. Depreciation of all exhaustible fixed assets is recorded as an expense and accumulated depreciation is reported on the balance sheet. Expenditures for maintenance and repairs, which do not improve or extend the life of the asset, are charged to expense as incurred. Other assets include computer software and the contract for addressing and mapping. Amortization is also recorded as an expense and accumulated amortization is reported in the Other Asset section.

Depreciation and amortization of assets are recorded using the straight-line method with the following useful lives:

Building Renovations	20	years
Computer Equipment	5	years
Heating and Air Conditioning Equipment	10	years
Office Furniture and Equipment	5 – 7	years
Radio Consoles	10	years
Radio Communications System	10	years
Other Equipment	3 - 5	years
Computer Software	5	years
Addressing and Mapping Contract	5	years

CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT 911

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE 2 – FIXED ASSETS:

Capital asset activity during the year was as follows:

	<u>Balance</u> <u>6/30/08</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>6/30/09</u>
Capital Assets Not Being Depreciated:				
Capital Assets Being Depreciated:				
Leasehold Improvements	61,739.00			61,739.00
Furniture and Fixtures	17,421.91			17,421.91
Office Equipment	23,180.37			23,180.37
Communications Equipment	649,149.17	63,526.83	23,996.40	688,679.60
Vehicles	20,640.85			20,640.85
Addressing and Mapping	97,547.41			97,547.41
Computer Software	24,562.00			24,562.00
Other Fixed Assets	<u>16,924.64</u>			<u>16,924.64</u>
Total Capital Assets Being Depreciated:	<u>911,165.35</u>	<u>63,526.83</u>	<u>23,996.40</u>	<u>950,695.78</u>
Accumulated Depreciation:				
Leasehold Improvements	47,431.60	2,709.58		50,141.18
Furniture and Fixtures	13,533.05	1,068.73		14,601.78
Office Equipment	23,180.37			23,180.37
Communications Equipment	348,681.71	53,807.96	14,183.33	388,306.34
Vehicles	20,640.85			20,640.85
Addressing and Mapping	78,047.41	3,900.00		81,947.41
Computer Software	24,562.00			24,562.00
Other Fixed Assets	<u>16,924.64</u>			<u>16,924.64</u>
Total Accumulated Depreciation:	<u>573,001.63</u>	<u>61,486.27</u>	<u>14,183.33</u>	<u>620,304.57</u>
Net Capital Assets Being Depreciated:	<u>338,163.72</u>	<u>(2,040.56)</u>	<u>9,813.07</u>	<u>330,391.21</u>
Net Capital Assets:	<u>338,163.72</u>	<u>(2,040.56)</u>	<u>9,813.07</u>	<u>330,391.21</u>

NOTE 3 – BUDGETARY ACCOUNTING:

A budget is adopted annually by the Board of Directors as required by Tennessee Code Annotated, Title 7, Chapter 86, Part I. The Board estimates the anticipated revenues from all sources. Each expenditure is evaluated to determine the estimated needs. After the Board adopts the budget, it is submitted to both the city and the county for approval prior to the beginning of the budgeted fiscal year. The Board receives a monthly analysis comparing actual revenue and expenditures to the budgeted amounts. Amendments were approved by the board as variances were discovered. The amounts reported on the budgetary schedule reflect the amounts of the final amended budget.

The District's budgetary process accounts for certain transactions on a basis other than GAAP. The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on a cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures are recorded when paid. Under the GAAP basis, revenues and expenses are recorded on the full accrual basis. Reconciliation of the Schedule of Revenues and Expenditures – Budget to Actual (Non GAAP Basis) on page 16 to GAAP basis Change in Net Assets reported on Page 4is as follows:

Budgeted Operating Revenue over Operating Expenditures	74,899.13
Revenue Accruals	10,268.39
Expenditure Accruals	(1,182.79)
Asset Retirements	(2,870.16)
Depreciation Expense	(61,486.27)
Interest Expense	<u>(33.42)</u>
GAAP Basis – Income (Loss)	<u>19,594.88</u>

CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT 911

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE 4 – RISK FINANCING:

It is the policy of the Carter County Emergency Communications District 911 to purchase commercial insurance for the risks of losses to which it is exposed. These risks include general liability, property and casualty, worker's compensation, employee health and accident. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 5 – RETIREMENT COMMITMENTS:

A. Plan Description

Employees of Carter County Emergency Communications District 911 are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS).

TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with 5 (Five) years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who became disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Carter County Emergency Communications District 911 participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at www.treasury.state.tn.us.

B. Funding Policy

Carter County Emergency Communications District 911 has adopted a noncontributory plan for its employees by assuming employee contributions up to 5.0 percent of annual covered payroll.

Carter County Emergency Communications District 911 is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2009 was 14.07% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Carter County Emergency Communications District 911 is established and may be amended by the TCRS Board of Trustees.

C. Annual Pension Cost

For the year ending June 30, 2009, Carter County Emergency Communications District 911's annual pension cost of \$51,224.00 to TCRS was equal to Carter County Emergency Communications District 911's required and actual contributions.

The required contribution was determined as part of the July 1, 2007 actuarial valuation using the frozen initial liability actuarial cost method.

CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT 911

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE 5 – RETIREMENT COMMITMENTS (Continued):

C. Annual Pension Cost (cont)

Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post retirement increases of 3.0 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Carter County Emergency Communications District 911’s unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2007 was 16 years. An actuarial valuation was performed as of July 1, 2007, which was established contribution rates effective July 1, 2008.

Trend Information

Fiscal Year <u>Ending</u>	Annual Pension Cost (APC)	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
6/30/09	\$51,224	100.00%	\$0.00
6/30/08	\$41,869	100.00%	\$0.00
6/30/07	\$34,433	100.00%	\$0.00

D. Funding Status and Funding Progress

As of July 1, 2007, the most recent actuarial valuation date, the plan was 65.03% percent funded. The actuarial accrued liability for benefits was \$0.46 million, and the actuarial value of assets was \$0.30 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.16 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.00 million, and the ratio of the UAAL to the covered payroll was 61.89% percent.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b) – (A)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage Of Covered Payroll ((b-a)/c)
July 01, 2007	\$305	\$469	\$164	65.03%	\$265	61.89%

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the Entry Age actuarial cost method was a change made during the year and therefore only the most current year is presented.

CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT 911

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

NOTE 6 – DEFERRED COMPENSATION PLAN:

A Section 457 Deferred Compensation Plan is maintained for employees who desire to make tax deferred contributions up to the maximum allowed by the Internal Revenue Code. Plan assets are held in a separate trust for benefit of the individual employee participants.

NOTE 7 – CAD ACCESS FEE:

The District receives \$150.00 a month from Carter County for high-speed access to the CAD database. The information contained in this database is a valuable resource for the area law enforcement organizations.

NOTE 8 – NET ASSETS:

Net asset classification is comprised of two components and is the result of accumulated net earnings from operations, other activities, and contributed capital. “Invested in capital assets” consists of all capital assets net of accumulated depreciation and reduced by debt outstanding that is directly related to the purchase, construction, and modifications of those capital assets. The “Unrestricted” component of net assets constitutes all other net assets not included in the aforementioned category of net assets.

CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT 911
SUMMARY OF INUSRANCE IN FORCE
June 30, 2009

<u>Insurance Company</u>	<u>Policy Period</u>	<u>Description of Coverage</u>	<u>Amount of Coverage</u>
VFIS Insurance Company	6/30/08 To 6/30/09	Real Property – Comprehensive	Replacement Cost
		Loss of Income	12 Months Actual
		Personal Property	384,863.00
		Liability – General	2,000,000.00
		Liability – Personal and Advertising	1,000,000.00
		Fire Damage – any one fire	1,000,000.00
		Medical Expense Limit – any one person	5,000.00
		Flood/Earthquake	500,000.00
Travelers Insurance Co.	10/24/08 To 10/24/09	Workers Compensation	Statutory
TML Risk Management Pool	6/30/08 To 6/30/09	Auto – Liability	1,000,000.00
		Medical Payments	1,000.00
		Uninsured Motorist	10,000.00
		Bodily Injury	60,000.00
		Property Damage	85,000.00
CNA Surety	7/01/08 To 7/1/09	Fidelity Bonds - Chairman	50,500.00
	7/1/08 To 7/1/09	Vice Chairman	50,500.00
	10/16/08 To 10/16/09	Treasurer	50,500.00
10/06/08 To 10/03/09	Director	50,500.00	

CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT 911
SCHEDULE OF INFORMATION REQUIRED BY THE
TENNESSEE EMERGENCY COMMUNICATIONS BOARD
June 30, 2009

Number of Public Safety Answering Points (PSAP):

1 PSAP

Address of Each PSAP:

116 Holston Avenue
Elizabethton, Tennessee

Type of System/Equipment and Database used:

Telephone System – Spint/CML
CAD System – Pamet
Database – Microsoft Works

Name, Address, Telephone Number, and Fax Number:

Director of the Emergency Communications District:

Glenna Morton	Phone:	423-543-0911
116 Holston Avenue	Fax:	423-543-7179
Elizabethton, TN 37643		

Chairman of the Emergency Communications District:

John Pierce	Phone:	423-543-7422
282 Minton Hollow Road		
Elizabethton, TN 37643		

CARTER COUNTY EMERGENCY COMMUNICATIONS DISTRICT 911
SCHEDULE OF COMPARISON OF BUDGET REVENUES AND EXPENDITURES TO ACTUAL
For the Year Ended June 30, 2009

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis) (see Note 3)	Variance with Final Budget Positive (Negative)
<u>Revenues:</u>				
Telephone Surcharge	496,300.00	496,300.00	478,133.72	(18,166.28)
Tennessee Emergency Communications Board - Wireless Surcharge	254,500.00	254,500.00	231,083.51	(23,416.49)
Appropriations - City of Elizabethton	83,173.00	83,173.00	83,172.25	(0.75)
Appropriations - Carter County	76,712.00	76,712.00	76,712.50	0.50
TECB - Maintenance Grants	10,000.00	10,000.00		(10,000.00)
Interest			1,015.01	1,015.01
Rent Income	3,600.00	3,600.00	3,600.00	-
Alarm Monitoring	2,850.00	2,850.00	2,520.00	(330.00)
Total Revenues	927,135.00	927,135.00	876,236.99	(50,898.01)
<u>Expenditures:</u>				
Administrative Fees - Service Charge	21,000.00	21,000.00	17,311.98	3,688.02
Professional Services - Accounting and Audit	5,200.00	5,200.00	4,787.75	412.25
Fees Paid To Service Providers	92,000.00	83,000.00	81,904.84	1,095.16
Legal Services		250.00	250.00	-
Information Services (NCIC/TBI/TIES)	12,000.00	12,000.00	11,799.87	200.13
Pest Control	350.00	350.00		350.00
Maintenance Agreements	9,000.00	9,000.00	6,005.21	2,994.79
Communications - Mapping, CAD, & Radios	27,000.00	11,100.00	8,022.95	3,077.05
Building and Facilities	15,000.00	3,000.00	1,493.88	1,506.12
Office Equipment	400.00	400.00	380.00	20.00
Vehicles	5,000.00	4,750.00	3,547.07	1,202.93
Office Supplies	3,000.00	3,000.00	1,809.08	1,190.92
Custodial Supplies	1,500.00	1,500.00	1,231.41	268.59
Data Processing & Supplies	3,000.00	3,000.00	1,529.39	1,470.61
Postage	620.00	620.00	431.24	188.76
Small Equipment Purchases	800.00	800.00	311.99	488.01
Uniforms	2,400.00	2,400.00	2,385.70	14.30
Electricity	11,200.00	11,200.00	9,015.13	2,184.87
Gas	1,400.00	1,400.00	1,024.68	375.32
Water	2,000.00	2,000.00	1,509.48	490.52
Cell Phones and Pagers	1,500.00	1,500.00	1,262.24	237.76
Board Meeting Expenses	500.00	500.00	348.42	151.58
Dues and Memberships	1,500.00	1,500.00	186.95	1,313.05
Workers' Compensation	2,100.00	2,100.00	1,972.00	128.00
Building and Contents	6,600.00	6,600.00	6,574.00	26.00
Vehicle Insurance	1,000.00	1,000.00	865.00	135.00
Premiums on Surety Bonds	2,500.00	2,500.00	1,241.00	1,259.00
Public Education	2,500.00	2,500.00	2,139.88	360.12
Training Expenses	12,000.00	16,100.00	15,545.41	554.59
Travel Expenses	8,000.00	8,000.00	5,595.98	2,404.02
Non-budgeted Expenses	2,500.00	-		-
Director	37,234.00	37,234.00	33,994.10	3,239.90
Administrative Personnel	87,523.00	88,454.52	84,243.27	4,211.25
Dispatchers	220,559.00	220,559.00	220,559.00	-
Overtime Pay	8,500.00	20,500.00	19,617.84	882.16
Part-time Personnel	35,084.00	62,084.00	61,867.11	216.89
Others Salaries and Wages - Mapping Personnel	10,000.00	9,068.48	9,068.48	-
Social Security	25,915.00	28,815.00	28,768.12	46.88
Medicare	10,628.00	7,728.00	6,728.17	999.83
Life Insurance	2,100.00	2,100.00	1,953.36	146.64
Medical Insurance	67,732.00	62,032.00	61,972.80	59.20
Unemployment Compensation	2,557.00	1,057.00	676.03	380.97
Retirement Contributions	50,100.00	51,600.00	51,223.70	376.30
Other Fringe Benefits	35,633.00	30,233.00	30,183.35	49.65
Total Operating Expenditures	847,135.00	839,735.00	801,337.86	38,397.14
Operating Revenue Over (Under) Expenditures	80,000.00	87,400.00	74,899.13	(12,500.87)
<u>Capital Outlay Grants & Other Expenditures:</u>				
Fixed Assets - Communication Equipment	(35,000.00)	(35,000.00)	(2,870.16)	32,129.84
Fixed Assets - Leasehold Improvements				-
Interest Expense			(33.42)	(33.42)
Depreciation	(45,000.00)	(52,400.00)	(61,486.27)	(9,086.27)
Total Capital Outlay Expenditures	(80,000.00)	(87,400.00)	(64,389.85)	23,010.15
Budgeted Revenue Over/Under Expenditures	-	-	10,509.28	10,509.28

The accompanying notes are an integral part of these financial statements.

Section II - Internal Control and Compliance Section

Kenneth R. Kelly, Jr., MAcc., CPA
527 Elk Avenue, Suite 4
Elizabethton, TN 37643

**Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
with Governmental Auditing Standards**

Board of Commissioners
Carter County Emergency Communications District 911
Elizabethton, Tennessee 37643

I have audited the accompanying financial statements of Carter County Emergency Communications District 911, a component unit of Carter County, Tennessee, as of June 30, 2009 and for the year ended June 30, 2009 and have issued my report thereon dated February 12, 2010. I conducted the audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing the audit, I considered the Carter County Emergency Communications District 911's internal control over financial reporting as a basis for designing the auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County Emergency Communications District 911's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Carter County Emergency Communications District 911's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify and deficiencies in internal control over financial report that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Carter County Emergency Communications District 911's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

Compliance and Other Matters-cont.

However, providing an opinion on compliance with those provisions was not an objective of the audit and, accordingly, I do not express such an opinion. The results of the tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of board, management, and the Office of the Comptroller of the Treasury of the State of Tennessee and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,


Certified Public Accountant